## PORTAGE TOWNSHIP MACKINAC COUNTY, MICHIGAN

Financial Statements For the Year Ended June 30, 2004

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996
Mackinaw City, MI 49701

# Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Issued under P.A. 2 of 1	968, as amen	ded.	<del>-</del>				
Local Government Type  City  Tow		Village Other	Portage Tow			County MacI	kinac
Audit Date 3/31/04 Doinion Date 10/22/04 Date Accountant Report Submitted to State: 12/3/04							
We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of TEEASURY							
	2004						
<ol> <li>We have complied with the Bulletin for the Audits of Local Units of Government in Michigan as revised.</li> <li>DEC - 6 2004</li> <li>We are certified public accountants registered to practice in Michigan.</li> </ol>							
We further affirm the	ne following ommendati	j. "Yes" responses h ions	ave been disclos	sed in the financial state	ments, includin	g the Cathes	IDIT. & FINANCE DIV. I , or in the report of
You must check the	applicable	e box for each item b	elow.				
Yes 🗹 No	1. Certa	ain component units/	funds/agencies of	of the local unit are excl	uded from the f	inancial sta	itements.
Yes No		e are accumulated of 1980).	deficits in one or	more of this unit's uni	eserved fund l	balances/ret	tained earnings (P.A.
Yes No		e are instances of inded).	non-compliance	with the Uniform Acco	unting and Bu	dgeting Act	(P.A. 2 of 1968, as
Yes No	Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.						
Yes No		•		s which do not comply 1982, as amended [MCI	-	requiremen	ts. (P.A. 20 of 1943,
Yes No	6. The I	ocal unit has been d	lelinquent in distr	ibuting tax revenues tha	at were collecte	d for anothe	er taxing unit.
The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned  Yes No 7. pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).							
Yes No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).							
Yes No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).							
We have enclosed	d the follow	wing:			Enclosed	To Be Forward	
The letter of comments and recommendations.							
Reports on individual federal financial assistance programs (program audits).					~		
Single Audit Reports (ASLGU).							
Certified Public Accountant (Firm Name)  Richard E. Mahlmeister, CPA, PC							
Street Address			$\neg A$	City		State	ZIP
P.O. Box 996,	80 South	Nicolet Street	////	Mackinaw Ci	_	MI Date	49701
Accountent Signature		Mulul	S. M.	l'L			

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Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

#### INDEPENDENT AUDITORS' REPORT

October 22, 2004

Township Board Portage Township Mackinac County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Portage Township*, *Mackinac County*, *Michigan*, as of and for the year ended June 30, 2004, which collectively comprise the Township's basis financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of *Portage Township*, as of June 30, 2004, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 1 through 3 and 22 through 27, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, C.P.A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### FINANCIAL HIGHLIGHTS

Assets at June 30, 2004 totaled approximately \$1,063,000 for governmental activities. Of the total, approximately \$321,000 represent capital assets, net of depreciation.

Revenues derived from governmental activities were approximately \$508,150 (\$43,000 from program revenues and \$465,150 from general revenues). Overall expenses for the Township's governmental activities approximated \$435,700.

The Township has outstanding debt of \$207,500. The township purchased capital assets in the approximate amount of \$133,000 during the fiscal year. Capital asset and debt activity is addressed further in a subsequent section of this letter.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year June 30, 2004.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personal changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General Fund.

#### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

#### **Governmental Funds**

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains five individual governmental funds; General Fund, Road Fund, Fire Fund, Ambulance Fund and Library Fund. All which we consider major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

### **Fiduciary Funds**

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

### FUND ANALYSIS OF THE TOWNSHIP AS A WHOLE

#### **Net Assets**

The Township's governmental activities net assets increased approximately \$72,500 during the year, to total \$825,240.

## FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

#### **Governmental Activities**

The General, Fire, Ambulance, Library and Fiduciary Fund activities remained consistent, and the Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, tax collection, street lighting, fire protection, ambulance protection and library services. Road activity consisted of improvements to Sandtown Road and preparing for improvements to Long Point Road.

## **Capital Asset and Debt Administration**

At June 30, 2004, the Township had approximately \$450,000 in a broad range of capital assets, including buildings, ambulance and fire equipment. In addition the Township has invested significantly in roads within the Township.

At June 30, 2004 the Township had total debt outstanding of \$207,500. During the fiscal year the Township incurred bonded debt in the amount of \$250,000 for road improvement projects. The Township also reduced it's debt by \$72,500 by making the required annual payments. Additional information on the Township's long-term debt can be found on pages 19 and 20 of this report.

## CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Township Clerk at 906.586.9522 (Portage Township Hall).

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•	
•	BASIS FINANCIAL STATEMENTS
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-	GOVERNMENT-WIDE FINANCIAL STATEMENTS
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## PORTAGE TOWNSHIP STATEMENT OF NET ASSETS JUNE 30, 2004

	PRIMARY GOVERNMENT
ASSETS	GOVERNMENTAL ACTIVITIES
Cash and cash equivalents	
Investments	\$547,949
Accounts receivable	168,669
Due from other governmental units	12,609
Capital assets	12,410
Accumulated depreciation	449,864
Accumulated depreciation	(128,842)
TOTAL ASSETS	\$1,062,659
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accrued expenses	#10.713
Due to others	\$19,612
Long-term liabilities:	10,307
Due within one year	72,500
Due in more than one year	135,000
TOTAL LIABILITIES	237,419
NET ASSETS:	
Invested in capital assets, net of related debt	
Reserved	113,522
Unreserved	271,080
	440,638
TOTAL NET ASSETS	825,240
TOTAL LIABILITIES	
AND NET ASSETS	\$1,062,659
	\$1,002,039

The accompanying notes are an integral part of these financial statements.

## PORTAGE TOWNSHIP STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary government			
Governmental activities			
General government	\$180,539	\$1,450	s -
Public safety	169,018	39,745	1,800
Public works	48,518	-	1,000
Recreation and culture	25,029	<u>-</u>	_
Interest on long-term debt	12,606		-
Total governmental activities	435,710	41,195	1,800

General Revenues
Property taxes
State-shared revenues
Unrestricted interest income
Other
Total general revenues
Change in net assets
Net assets, beginning of year
Net assets, end of year

## Net (Expense) **Revenue and Changes** in Net Assets Primary Government **Capital Grants** and Contributions TOTAL (\$179,089) (127,473) (48,518) (25,029) (12,606)(392,715) 340,500 87,855 17,966 18,831 465,152 72,437 752,803

\$825,240

FUND FINANCIAL STATEMENTS

## PORTAGE TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2004

ASSETS	GENERAL	ROAD FUND	FIRE FUND
Cash and cash equivalents	\$63,324	\$105,974	## C ##
Investments	29,640	139,029	\$216,798
Accounts receivable		137,029	•
Due from other funds	3,394	-	•
Due from other governmental units	12,410		
TOTAL ASSETS	\$108,768	\$245,003	\$216,798
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued expenses	\$9,877	<b>60.725</b>	
Due to others	10,307	\$9,735 	\$ - -
TOTAL LIABILITIES	20,184	9,735	-
FUND BALANCES			
Reserved	1 221		
Unreserved:	1,221	-	174,601
Designated for subsequent years' expenditures	87,363		
Unreserved, undesignated	-	235,268	42,197
TOTAL FUND BALANCES	88,584	235,268	216,798
TOTAL LIABILITIES			
AND FUND BALANCES	\$108,768	\$245,003	\$216,798

AMBULANCE	LIBRARY	TOTAL	
FUND	FUND	GOVERNMENTAL	
PUND	FUND	FUNDS	
\$138,653	\$19,806	\$544,555	
-	-	168,669	
12,609	-	12,609	
-	-	3,394	
	-	12,410	
\$151,262	\$19,806	\$741,637	
\$ -	<b>\$</b> -	\$19,612	
-	-	10,307	
	<u>-</u>	29,919	
95,258	-	271,080	
1,100	1,950	90,413	
54,904	17,856	350,225	
151,262	19,806	711,718	
\$151,262	\$19,806	\$741,637	

## **PORTAGE TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS** JUNE 30, 2004

Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$711,718 Amounts reported for governmental activities in the statement of net assets are different because: Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Add: capital assets 449,864 Subtract: accumulated depreciation (128,842)Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds and consist of: Subtract: bond and note payable (207,500)NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$825,240

# PORTAGE TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL FUND	ROAD FUND	FIRE FUND
REVENUES:			TOND
Taxes	202.20		
Contributions from private sources	\$92,269	\$87,897	\$46,05
Licenses and permits	-	-	
State shared revenues	7,868	-	
Charges for services	86,477	460	23
Interest	800	-	50
Other	7,080	4,746	4,52
	12,086	-	7,30
TOTAL REVENUES	206,580	93,103	58,61
EXPENDITURES:			
Current:			
Legislative	28,948		
General government	109,869	-	
Public safety	7,318	•	
Public works	5,018	152.252	29,92
Recreation and culture	221	173,353	
Other functions	38,942	-	
Debt Service:	30,742	-	
Principal	10,000	(2.500	
Interest and fees	900	62,500 11,706	
		11,700	
TOTAL EXPENDITURES	201,216	247,559	29,927
REVENUE OVER (UNDER) EXPENDITURES	5,364	(154,456)	28,692
OTHER FINANCING SOURCES			
Bond proceeds		250,000	
TOTAL OTHER FINANCING SOURCES	-	250,000	
ET CHANGE IN FUND BALANCE	5,364	95,544	28,692
UND BALANCES - BEGINNING OF YEAR	83,220	139,724	188,106
UND BALANCES - END OF YEAR	\$88,584	\$235,268	\$216,798

AMBULANCE FUND	LIBRARY FUND	TOTAL	
	-		
\$90,471	\$23,806	\$340,500	
1,800	-	1,800	
-	-	7,868	
464	220	87,855	
31,377	-	32,677	
1,459	153	17,966	
45	50	19,481	
125,616	24,229	508,147	
-	_	28,948	
-	-	109,869	
123,547	-	160,792	
-	-	178,371	
-	23,010	23,231	
-	•	38,942	
-	-	72,500	
****		12,606	
123,547	23,010	625,259	
2,069	1,219	(117,112)	
<u>-</u>		250,000	
		250,000	
2,069	1,219	132,888	
149,193	18,587	578,830	
\$151,262	\$19,806	\$711,718	

## PORTAGE TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$132,888 Amounts reported for governmental activities in the statement of activities are different because: Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities. Add: capital outlay capitalized during the current year 132,900 Subtract: depreciation expense (15,851)Repayment of bond and note principal is an expenditure in the governmental funds, however, it reduces long-term liabilities in the statement of net assets. Add: principal payments on long-term liabilities. 72,500 Note proceeds are a revenue in the governmental funds, but are recorded as a liability in the statement of net assets. (250,000)CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$72,437

## PORTAGE TOWNSHIP STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND JUNE 30, 2004

## **ASSETS**

-	Cash	\$3,394
<b>@</b>	LIABILITIES	
-	Due to other funds	3,394
	NET ASSETS	
-	Fiduciary Net Assets	s

# PORTAGE TOWNSHIP STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUND YEAR ENDED JUNE 30, 2004

-	ADDITIONS  Property tax collections for other governmental units	\$867,357
	DEDUCTIONS	
	Property tax distributions to other governmental units	867,357
	Change in Net Assets	
	Fiduciary Net Assets - Beginning of Year	_
<b>m</b>	Fiduciary Net Assets - End of Year	\$ -

## NOTES TO FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Portage Township, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

On July 1, 2003, Portage Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, and Statement No. 38, Certain Financial Statement Note Disclosures. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

## THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

## GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

## Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

(Continued)

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

#### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Major funds are generally those that represent 10% or more of the respective fund type assets, liabilities, revenues or expenditures. The township considers all funds to be major funds.

# MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## FUND TYPES AND MAJOR FUNDS

#### Governmental Funds

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

**Road Fund** - The Road Fund is used to account for expenditures related to roads and road improvements within the township. Financing is provided primarily by property taxes.

<u>Fire Fund</u> - The Fire Fund is used to account for expenditures related to the township provided fire service. Financing is provided primarily by property taxes.

<u>Ambulance Fund</u> - The Ambulance Fund is used to account for expenditures related to the township provided ambulance service. Financing is provided primarily by property taxes.

<u>Library Fund</u> - The Library Fund is used to account for expenditures related to the township's public library, which is operated on a contractual basis by the Bayliss Public Library in Sault Ste. Marie, Michigan. Financing is provided primarily by property taxes.

## Fiduciary Funds

<u>Trust and Agency Fund</u> - The Tax Collection Fund is used to account for property taxes collected for the township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

#### **INVESTMENTS**

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### RECEIVABLES AND PAYABLES

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values.

#### **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are defined by the government as assets with an initial individual cost of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	20-40 years
Equipment	5-10 years
Roads	20-40 years

## LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **FUND EQUITY**

Reserved fund balances for governmental funds indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

## **COMPENSATED ABSENCES**

There is no accumulated vacation or sick leave to be recognized.

## **BUDGETS AND BUDGETARY ACCOUNTING**

Budgets are adopted by the Township officials for the General and Special Revenue Funds. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on July 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4. Budgeted amounts are as originally adopted, or as amended by the Township Board.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

## NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the governmental funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

# NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS (CONTINUED)

During the year ended June 30, 2004, the Township incurred expenditures which exceeded the amount appropriated as follows:

<u>Fund</u>	<b>Appropriations</b>	<b>Expenditures</b>	<u>Variance</u>
GENERAL			
Treasurer	\$ 12,500	\$ 15,441	\$ 2,941
Debt Service	\$ -	\$ 10,900	\$ 10,900
SPECIAL REVENUE:		4 10,500	Ψ 10,500
Ambulance Fund			
Public Safety	\$100,100	\$123,547	\$23,447
Library Fund	,	+1=0,017	Ψ23,447
Recreation and Culture	\$ 21,500	\$ 23,010	\$ 1,510

## NOTE 3: PROPERTY TAX

Property tax revenues for the year ended June 30, 2004, reflected in the accompanying financial statements include property taxes levied December 31, 2003. These taxes are due by February 15, 2004, and are added to the County tax rolls after February 28, 2004. The Township will receive 100% payment for the delinquent Township tax by June, 2004.

The taxable value of the Township totaled \$48,870,956, on which ad valorem taxes consisted of 1.3049 mills for the Township's operating purposes, 1.7067 mills for roads, 2.6820 for fire and ambulance service and equipment and .4878 for library services, raising \$71,514 for operating purposes, \$87,897 for roads, \$46,057 for fire services and equipment, \$90,471 for ambulance services and equipment, and \$23,806 for library services.

## NOTE 4: CASH AND CASH EQUIVALENTS

The caption on the basis financial statements relating to cash, cash equivalents and investments represent deposits in four financial institutions in varying amounts as follows:

Cash and cash equivalents	\$547,949
Investments	168,669
	\$716,618

(Continued)

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 4: CASH AND CASH EQUIVALENTS (CONTINUED)

At year-end the carrying amount of the Township's deposits were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC) Uninsured – uncollateralized	\$400,005 316,613	\$400,005 317,973
	\$716,618	\$717,978

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

## **Statutory Authority**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United states, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

## NOTE 5: INTERFUND RECEIVABLE/PAYABLE

Interfund receivables and payables at June 30, 2004 are as follows:

Fund	Interfund Receivable	Interfund Payable	
General Tax Collection	\$3,394	\$ - 3,394	
Total	\$18,319	\$18,319	

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Not being depreciated:				
Land	\$48,000	\$ -	\$ -	\$48,000
Being Depreciated:				<b>\$ 10,000</b>
Buildings	187,900	-	-	187,900
Equipment	13,165	-	-	13,165
Vehicles	67,900	-	<del>-</del>	67,900
Infrastructure	-	132,899		132,899
Subtotal	316,965	132,899	-	449,864
Less accumulated depreciation	(112,991)	(15,851)		(128,842)
Total	\$203,974	\$117,048	\$ -	\$321,022

Depreciation was charges to the Township's functions as follows:

General government	\$2,781
Public safety	8,226
Public works	3,046
Recreation and culture	1,798
	\$15,851

## NOTE 7: LONG-TERM DEBT

Long-term debt consists of the following:

	Balance July 1, 2003	Additions	(Reductions)	Balance June 30, 2004
\$250,003 2003 Road improvement General Obligation Capital Improvement Road Bonds, due in annual installments of \$62,500 plus interest at 3.35% through March, 2007.	\$ -	\$250,000	(62,500)	\$187,500
\$40,000 2002 land contract due in annual installments of \$10,000 plus interest at 3.0% through November, 2005.	20.000			
unough November, 2003.	30,000		(10,000)	20,000
	\$30,000 - <b>19</b> -	\$250,000	(\$72,500)	\$207,500

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 7: DEBT (CONTINUED)

The annual principal and interest requirements for the years ending June 30, 2005 and thereafter, including \$13,463 in interest, are as follows:

Year EndedJune 30,	
2005 2006 2007	\$79.381 76,988 64,594
Total	\$220,963

## NOTE 8: RESERVES AND DESIGNATIONS

General Fund - The General Fund has \$1,221 reserved for roadway, METRO Act expenditures.

Fire Fund - The Fire Fund has \$174,601 reserved for the purchase of fire-fighting equipment.

Ambulance Fund - The Ambulance Fund has \$95,258 reserved for the purpose of ambulance equipment.

Designations - The General Fund has \$87,363 the Ambulance Fund has \$1,100 and the Library Fund has \$1,950 designated for subsequent years' expenditures.

## NOTE 9: CONSTRUCTION CODE

The Township collects fees for permits and conducts inspections in accordance with Act 245 of 1999 and accounts for the related activity in the General Fund. Revenues are shown in Licenses and Permits and the related expenditures are shown under Public Safety – Building Inspector expenditures. Following is this activity for the year ended June 30, 2004, as reported in the accompanying governmental funds financial statements:

## Revenues: Licenses

Licenses & permits	\$7,156
Expenditures:	
Salaries	4,687
Other	1819
Total Expenditures	6,506
Revenue Over Expenditures	\$650

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 10: COMMITMENT

The Township is liable under contracts for road improvements in the amount of approximately \$99,000.

## NOTE 11: RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for general liability of \$4,000,000, wrongful acts of \$3,000,000, property of \$346,800, automobile of \$2,000,000, crime of \$10,000, inland marine liability of \$129,200 and bonding for public officials errors and omissions. Additionally, the Township has purchased commercial insurance for workmans compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

SUPPLEMENTARY INFORMATION

## PORTAGE TOWNSHIP GENERAL FUND WHEN HE OF REVENUES SYRENDAY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
TAXES				
Property taxes	\$83,000	\$83,000	\$92,269	\$9,269
LICENSES AND PERMITS				,
Building permits	10,900	10,900	7,156	(3,744)
Other licenses and permits		-	7,130	712
TOTAL LICENSES AND PERMITS	10,900	10,900	7,868	(3,032)
STATE SHARED REVENUES				
State land tax	_	· _	8,852	8,852
Other state shared revenues	87,400	87,400	77,625	(9,775)
TOTAL STATE SHARED REVENUES	87,400	87,400	86,477	(923)
CHARGES FOR SERVICE				
Cemetery lots	2,500	2,500	800	(1,700)
TOTAL CHARGES FOR SERVICE	2,500	2,500	800	(1,700)
INTEREST INCOME	2,500	2,500	7,080	4,580
OTHER				1,500
Rents	-	-	650	650
Reimbursements and other	1,500	1,500	11,436	9,936
TOTAL OTHER	1,500	1,500	12,086	10,586
TOTAL REVENUE	187,800	187,800	206,580	18,780
				·

#### PORTAGE TOWNSHIP GENERAL FUND

#### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
LEGISLATIVE		771		
Township Board	\$40,700	\$40,700	\$28,948	\$11,752
GENERAL GOVERNMENT				
Supervisor	8,300	8,300	7,078	1,222
Elections	2,100	2,100	518	1,582
Assessor	26,760	26,760	24,877	1,883
Clerk	12,400	12,400	11,923	477
Equalization	6,000	6,000	4,936	1,064
Board of review	800	800	458	342
Treasurer	12,500	12,500	15,441	(2,941)
Cemetery	5,000	5,000	-	5,000
Township properties	63,000	63,000	44,638	18,362
TOTAL GENERAL GOVERNMENT	136,860	136,860	109,869	26,991
PUBLIC SAFETY				
Building inspector	12,500	12,500	6,505	5,995
Planning	1,400	1,400	813	5,993 587
Board of appeals	1,100	1,100	-	1,100
TOTAL PUBLIC SAFETY	15,000	15,000	7,318	7,682
PUBLIC WORKS				
Highways and streets	7,500	7,500	5,018	2,482
TOTAL PUBLIC WORKS	7,500	7,500	5,018	2,482
RECREATION AND CULTURE				
Parks	8,100	8,100	221	7,879
OTHER FUNCTIONS	30,000	30,000	38,942	(8,942)
DEBT SERVICE				
Principal	<u>-</u>	_	10.000	(10.000)
Interest and fees		-	10,000 900	(10,000)
TOTAL DEPT SERVICE			700	(900)
TOTAL DEBT SERVICE	-		10,900	(10,900)
CONTINGENCIES	20,000	20,000		20,000
TOTAL EXPENDITURES	258,160	258,160	201,216	56,944
NET CHANGE IN FUND BALANCE	(70,360)	(70,360)	5,364	75,724
FUND BALANCES - BEGINNING OF YEAR	83,220	83,220	83,220	
FUND BALANCES - END OF YEAR	\$12,860	\$12,860	\$88,584	\$75,724

#### ROAD FUND

#### SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$77,000	\$77,000	\$87,897	\$10,897
State shared revenues	\$77,000	377,000	\$67,697 460	\$10,897 460
Interest	5,000	5,000	4,746	(254)
TOTAL REVENUES	82,000	82,000	93,103	11,103
EXPENDITURES:				
Public works	290,794	290,794	173,353	117,441
Debt Service:	,	,	,	,
Principal	62,500	62,500	62,500	•
Interest and fees	11,706	11,706	11,706	-
TOTAL EXPENDITURES	365,000	365,000	247,559	117,441
REVENUE OVER (UNDER) EXPENDITURES	(283,000)	(283,000)	(154,456)	128,544
OTHER FINANCING SOURCES				
Bond proceeds	250,000	250,000	250,000	-
TOTAL OTHER FINANCING SOURCES	250,000	250,000	250,000	-
NET CHANGE IN FUND BALANCE	(33,000)	(33,000)	95,544	128,544
FUND BALANCES - BEGINNING OF YEAR	139,724	139,724	139,724	-
FUND BALANCES - END OF YEAR	\$106,724	\$106,724	\$235,268	\$128,544

# PORTAGE TOWNSHIP FIRE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$30,000	\$30,000	\$46,057	\$16,057
State shared revenues	-	-	234	234
Charges for services	1,000	1,000	500	(500)
Interest	900	900	4,528	3,628
Other	-	_	7,300	7,300
TOTAL REVENUES	31,900	31,900	58,619	26,719
EXPENDITURES:				
Public safety	33,600	33,600	29,927	3,673
TOTAL EXPENDITURES	33,600	33,600	29,927	3,673
NET CHANGE IN FUND BALANCE	(1,700)	(1,700)	28,692	30,392
FUND BALANCES - BEGINNING OF YEAR	188,106	188,106	188,106	-
FUND BALANCES - END OF YEAR	\$186,406	\$186,406	\$216,798	\$30,392

# PORTAGE TOWNSHIP AMBULANCE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$65,000	\$65,000	\$90,471	\$25,471
Contributions from private sources	200	200	1,800	1,600
State shared revenues	-	-	464	464
Charges for services	29,000	29,000	31,377	2,377
Interest	900	900	1,459	559
Other		-	45	45
TOTAL REVENUES	95,100	95,100	125,616	30,516
EXPENDITURES:				
Public safety	100,100	100,100	123,547	(23,447)
TOTAL EXPENDITURES	100,100	100,100	123,547	(23,447)
NET CHANGE IN FUND BALANCE	(5,000)	(5,000)	2,069	7,069
FUND BALANCES - BEGINNING OF YEAR	149,193	149,193	149,193	-
FUND BALANCES - END OF YEAR	\$144,193	\$144,193	\$151,262	\$7,069

# PORTAGE TOWNSHIP LIBRARY FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

VARIANCE WITH FINAL AMENDED BUDGET **ORIGINAL FINAL** POSITIVE BUDGET **BUDGET ACTUAL** (NEGATIVE) **REVENUES:** Taxes \$21,000 \$21,000 \$23,806 \$2,806 State shared revenues 220 220 Interest 1,000 1,000 153 (847) Other 50 50 TOTAL REVENUES 22,000 22,000 24,229 2,229 **EXPENDITURES:** Recreation and culture 21,500 21,500 23,010 (1,510)TOTAL EXPENDITURES 21,500 21,500 23,010 (1,510)NET CHANGE IN FUND BALANCE 500 500 1,219 719 FUND BALANCES - BEGINNING OF YEAR 18,587 18,587 18,587 FUND BALANCES - END OF YEAR \$19,087 \$19,087 \$19,806 \$719



Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

October 22, 2004

Township Board Portage Township Mackinac County, Michigan

In planning and performing my audit of the general purpose financial statements of *Portage Township*, *Mackinac County*, *Michigan*, for the year ended June 30, 2004, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated October 22, 2004 on the financial statements of *Portage Township*.

Thank you for the opportunity to serve *Portage Township*. I appreciate the assistance I received from the Treasurer and Clerk during my audit. Best wishes in the next year.

I D. S. S.

Sincerely,

Richard E. Mahlmeister, C.P.A.

Portage Township Comments & Suggestions October 22, 2004 Page 2 (two)

### **REPORTABLE CONDITION**

Reportable conditions involve matters coming to my intention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Township. This condition is generally inherent in organizations the size of Portage Township, where corrective action is not practical, and is not necessarily considered to be a material weakness.

#### EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2004, the Township incurred expenditures in certain governmental funds which exceeded the amount appropriated, as shown in the body of the financial statements.

I suggest that the Township Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary, prior to incurring the expenditures to avoid incurring expenditures in excess of appropriations.